

REPORT OF THE AUDITOR-GENERAL TO THE EMALAHLENI LOCAL MUNICIPALITY FOR THE FINANCIAL YEAR ENDED ON 30 JUNE 2010

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA LEGISLATURE AND THE COUNCIL ON THE EMALAHLENI LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Emalahleni Local Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Property, plant and equipment

7. Sufficient appropriate audit evidence could not be obtained as to the existence and completeness of property, plant and equipment as disclosed in note 6 to the financial statements to the carrying value of R2 292 679 021 as at 30 June 2010, due to the incomplete classification of assets in the fixed asset register. I was unable to perform suitable alternative procedures due to the poor quality of the fixed asset register, including a lack of descriptions and locations.

Landfill site rehabilitation

8. The amount of the landfill site provision was not calculated in terms of paragraph 58 of the SA Statement of GRAP, GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets*, which requires the amount of a provision to be the present value of the expenditures expected to be required to settle the obligation where the effect and time value of money are material. The municipality estimated the amount required for the rehabilitation of the landfill site. I was unable to recalculate the provision, as the municipality did not have a costed plan to rehabilitate the site. I was unable to perform alternative procedures due to the lack of a plan to rehabilitate the site. Consequently, I was unable to obtain sufficient appropriate audit evidence as to the valuation and completeness of the landfill site provision of R6 000 000 as disclosed in note 12 to the financial statements.

Commitments

9. Sufficient appropriate audit evidence as to the existence, obligations, completeness and valuation of commitments as disclosed in note 28 to the financial statements as at 30 June 2010 could not be obtained, due to limitations placed on the scope of my work by the municipality. I was unable to confirm by alternative means the closing balance of commitments.

Unauthorised expenditure

10. The financial statements for the period under review did not disclose unauthorised expenditure of R111 853 622, incurred as a result of exceeding the total amount of the vote. This amount was not approved by the council and disclosed in terms of section 125(2)(d) of the MFMA prior to

the financial year-end.

Fruitless and wasteful expenditure

7. In terms of section 32(4)(c)(ii) of the MFMA, the accounting officer must take steps to prevent a recurrence of fruitless and wasteful expenditure. The municipality paid salaries and maintenance for the Civic Theatre, City Hall and Banquet Hall in the Cultural Centre, a section 21 company. I could not determine the amount paid by the municipality for salaries and maintenance for the year under review. I considered the expenditure to be fruitless and wasteful, as the municipality did not get any benefits from the amounts paid. The amount was not disclosed as fruitless and wasteful expenditure in the notes to the financial statements as required by section 125(2)(d) of the MFMA.

Qualified opinion

8. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Emalahleni Local Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended, in accordance with the SA Standards of GRAP and in the manner required by the MFMA.

Emphasis of matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Material losses

9. As disclosed in the statement of financial performance, material distribution losses for water and electricity to the amount of R68 261 550 and R165 457 687, respectively, were incurred during the year under review.

Irregular expenditure

11. As disclosed in note 35 to the financial statements, the municipality incurred irregular expenditure to the amount of R17 626 615 due to awards of tenders to persons in the service of the state.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

10. The supplementary information as set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the MFMA and the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), and financial management (internal control).

Predetermined objectives

Material findings on the report on predetermined objectives, as set out on pages ... to ..., are reported below:

Non-compliance with regulatory and reporting requirements

Internal auditing of performance measurements

12. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the MSA.
13. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the shared audit committee.

No reporting against predetermined objectives, indicators and targets

14. The municipality did not prepare the annual performance report in terms of section 46 of the MSA and section 121(3)(c) of the MFMA.

Existence and functioning of a performance audit committee

15. The performance audit committee did not:
- review the municipality's performance management system and make recommendations in this regard to the council of the municipality
 - submit an auditor's report to the municipality's council regarding the performance management system at least twice during the financial year.

Compliance with laws and regulations

Municipal Finance Management Act

16. In terms of sections 74 and 178 of the MFMA, municipalities are required to report to the National Treasury information on the municipal entities, including those structures in existence before the MFMA and MSA framework took effect. The Civic Theatre, City Hall and Banquet Hall in the Cultural Centre is a section 21 company. The last annual financial statements were prepared for the 2007-08 financial year. No information was reported to the National Treasury. The amount paid by the municipality for salaries and maintenance was not provided.

The financial statements were not prepared in accordance with applicable legislation

17. The municipality did not prepare financial statements that fairly presented the state of affairs of the municipality in terms of section 122(1) of the MFMA.

The annual budget was not approved in accordance with applicable laws and regulations

18. The annual budget was not approved by the date as required in terms of section 16(1) of the MFMA.

Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure

19. Irregular expenditure was incurred in contravention of the requirement of the MFMA, and was not condoned by the National Treasury.

The internal audit unit was not functioning properly

20. The internal audit unit did not advise the accounting officer and report to the audit committee on any matters as prescribed in terms of section 165(2) of the MFMA.

INTERNAL CONTROL

21. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and the MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.
22. The matters reported below are limited to the significant deficiencies regarding the basis for qualified opinion paragraphs, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

The accounting officer did not review the financial statements prior to their submission for auditing.

The municipality experienced leadership instability during the year under review.

- **Financial and performance management**

There is an urgent need to appoint a permanent director with the appropriate skills and experience in the finance department. The municipality has not appointed a director subsequent to the resignation of the previous one.

- **Governance**

- Risk identification and management**

- Risks were not adequately identified and addressed. The internal audit plan did not cover all high-risk areas.

OTHER REPORTS

Investigations

23. A forensic investigation was conducted by an independent consulting firm on request of the member of the executive committee. The investigation was initiated based on allegations of possible misappropriation by employees in the operations of the municipality. An ad hoc committee was appointed by the council and various employees were suspended. The investigation was finalised and further suspensions took place.

Nelspruit

30 November 2010



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE EMALAHLENI LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Emalahleni Local Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages xx to xx.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Emalahleni Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Emalahleni Local Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Statements of GRAP and in the manner required by the MFMA.

Other matters

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

9. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages 72 to 82 does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

Key governance responsibilities

10. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	Y	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	Y	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	Y	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	Y	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	The municipality had an audit committee in operation throughout the financial year.	Y	

No.	Matter	Y	N
	The audit committee operates in accordance with approved, written terms of reference.	Y	
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	Y	
7.	Internal audit		
	The municipality had an internal audit function in operation throughout the financial year.	Y	
	The internal audit function operates in terms of an approved internal audit plan.	Y	
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		N
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	Y	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	Y	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	Y	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	Y	
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	Y	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	Y	
14.	SCOPA resolutions have been substantially implemented.	Y	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		N
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		N
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets, section 68 of the MFMA.	Y	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

11. Although the audit committee has been operational throughout the year, the fulfilment of its responsibilities for the year was to a large extent hampered by the ineffectiveness of the internal audit unit, through which the committee functions. Management's failure to deliver on its side has also contributed to the audit committee's failure to operate effectively.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

12. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

13. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA).

The Auditor-General's responsibility

14. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Internal auditing of performance measurements

17. The internal auditors of the Emalahleni Local Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.

Reported performance information not reliable

Lack of appropriate information systems generating performance information

18. Sufficient appropriate audit evidence with regard to the reported performance information of the development priorities objectives could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information

APPRECIATION

19. The assistance rendered by the staff of the Emalahleni Local Municipality during the audit is sincerely appreciated.

Auditor-General
Nelspruit

19 January 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

**REPORT OF THE AUDITOR-GENERAL TO THE EMALAHLENI LOCAL
MUNICIPALITY FOR THE FINANCIAL YEAR ENDED ON 30 JUNE 2009**

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LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND
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REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Emalahleni Local Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets/equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages xx to xx.

The paragraph is noted.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The paragraph is noted.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

The paragraph is noted.

4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The paragraph is noted.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The paragraph is noted.

6. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Emalahleni local municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

The paragraph is noted.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The paragraph is noted.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Emalahleni Local Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Statements of GRAP and in the manner required by the MFMA.

The opinion is unqualified which can be defined as a "clean" audit report and confirms that all control accounts reconcile with substantiated documentation as presented in the Financial Statements.

The following unqualified audit reports were received consequently:

- 2001/2002
- 2002/2003
- 2003/2004
- 2004/2005

- 2005/2006
- 2006/2007
- 2007/2008
- 2008/2009

Other matters

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

9. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 Presentation of Financial Statements. The supplementary budget information set out on pages 72 to 82 does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

The paragraph is noted.

Key governance responsibilities

10. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	Y	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	Y	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines [section 40/55 of the PFMA]/[section 126 of the MFMA].	Y	

No.	Matter	Y	N
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	Y	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	The municipality had an audit committee in operation throughout the financial year.	Y	
	The audit committee operates in accordance with approved, written terms of reference.	Y	
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	Y	
7.	Internal audit		
	The municipality had an internal audit function in operation throughout the financial year.	Y	
	The internal audit function operates in terms of an approved internal audit plan.	Y	
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		N
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	Y	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	Y	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	Y	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i)(c)(i) of the MFMA.	Y	
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	Y	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	Y	
14.	SCOPA resolutions have been substantially implemented.	Y	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		N
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		N

No.	Matter	Y	N
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets, section 68 of the MFMA.	Y	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

The following were identified by the Auditor-General:

No.	Matter	Y	N																														
Quality of financial statements and related management information																																	
2.	The financial statements were not subject to any material amendments resulting from the audit.		N																														
The following amendments were made to ensure that the financial statements present fairly in all material aspects the financial position:																																	
<table><tr><th>Description</th><th>Amount</th></tr><tr><td>- Decrease in Provision for Bad Debt Written Off (Council Resolution A.265/08 November 2008)</td><td>(R55,597,077.46)</td></tr><tr><td>- Decrease in debtors</td><td>(R55,597,077.46)</td></tr><tr><td>- Increase in depreciation on the 2008/2009 Financial year</td><td>R 2,581,478.00</td></tr><tr><td>- Increase in Accumulated Depreciation</td><td>R 2,581,478.00</td></tr><tr><td>- Increase in CBIS Housing debtors</td><td>(R 116,358.29)</td></tr><tr><td>- Decrease in Appropriation</td><td>R 116,358.29</td></tr><tr><td>- <u>Accrued provision on water & electricity</u> <u>Consumption:</u></td><td></td></tr><tr><td>- Decrease 2007/2008</td><td>(R13,004,341.22)</td></tr><tr><td>- Increase 2008/2009</td><td>R18,648,901.29</td></tr><tr><td>- <u>Discounting of fair value on revenue:</u></td><td></td></tr><tr><td>- Decrease – Revenue</td><td>(R 9,835,073)</td></tr><tr><td>- Increase – Interest</td><td>R 9,835,073</td></tr><tr><td>- Decrease in Investment Properties in line with title deeds</td><td>(R7,858,591.40)</td></tr><tr><td>- Increase in appropriation</td><td>(R7,858,591.40)</td></tr></table>		Description	Amount	- Decrease in Provision for Bad Debt Written Off (Council Resolution A.265/08 November 2008)	(R55,597,077.46)	- Decrease in debtors	(R55,597,077.46)	- Increase in depreciation on the 2008/2009 Financial year	R 2,581,478.00	- Increase in Accumulated Depreciation	R 2,581,478.00	- Increase in CBIS Housing debtors	(R 116,358.29)	- Decrease in Appropriation	R 116,358.29	- <u>Accrued provision on water & electricity</u> <u>Consumption:</u>		- Decrease 2007/2008	(R13,004,341.22)	- Increase 2008/2009	R18,648,901.29	- <u>Discounting of fair value on revenue:</u>		- Decrease – Revenue	(R 9,835,073)	- Increase – Interest	R 9,835,073	- Decrease in Investment Properties in line with title deeds	(R7,858,591.40)	- Increase in appropriation	(R7,858,591.40)		
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The accounting officer's responsibility for the performance information

13. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA).

The paragraph is noted.

The Auditor-General's responsibility

- 14.1 I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.

The paragraph is noted.

15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

The paragraph is noted.

16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements.

Internal auditing of performance measurements

17. The internal auditors of the Emalahleni Local Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.

The finding is correct.

Reported performance information not reliable

Lack of appropriate information systems generating performance information

18. Sufficient appropriate audit evidence with regard to the reported performance information of the development objectives could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information.

The finding is correct.

APPRECIATION

19. The assistance rendered by the staff of the Emalahleni Local Municipality during the audit is sincerely appreciated."

The paragraph is noted.